

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
ATLANTIC MINE , MICHIGAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2008



STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT

JUNE 30, 2008

ADMINISTRATION

Superintendent Paul Saaranen

BOARD OF EDUCATION

President Dennis Hext

Vice President Jill Efraimson

Treasurer Janie Haataja

Secretary Paul Marttila

Trustee James Rautiola

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stanton Township Public School District as of and for the year then ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stanton Township Public School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stanton Township Public School District as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2008 on our consideration of the Stanton Township Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and page 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stanton Township Public School District's basic financial statements. The additional information on pages 29 to 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 12, 2008

Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2008

This section of Stanton Township Public School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

For the sixth consecutive year, the District adopted their annual budget and were required to use fund balance as a resource in adopting a balanced budget. The full impact of the budget was moderated by the following factors:

- The foundation amount per pupil increased, however, student enrollment decreased resulting in decreased state aid revenue. In addition, At Risk funding decreased.
- Federal revenue continued to trend down for the 6th consecutive year.
- The Michigan School Readiness program grant was used to defray costs in transportation and instruction in common with the general education program.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Overview of the Financial Statements - Continued

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including School Food Service and Athletic funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund meets this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, School Food Service and Athletic funds.

Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2008

Summary of Net Assets

	2008	2007
Assets		
Current and other assets	\$ 714,280	\$ 810,633
Capital assets - Net of accumulated depreciation	349,483	381,343
Total Assets	<u>\$ 1,063,763</u>	<u>\$ 1,191,976</u>
Liabilities		
Current liabilities	\$ 143,792	\$ 179,907
Long-term liabilities	16,968	16,499
Total Liabilities	<u>160,760</u>	<u>196,406</u>
Net Assets		
Invested in capital assets - net of related debt	349,483	374,863
Unrestricted	553,520	620,707
Total net assets	<u>903,003</u>	<u>995,570</u>
Total Liabilities and Net Assets	<u>\$ 1,063,763</u>	<u>\$ 1,191,976</u>

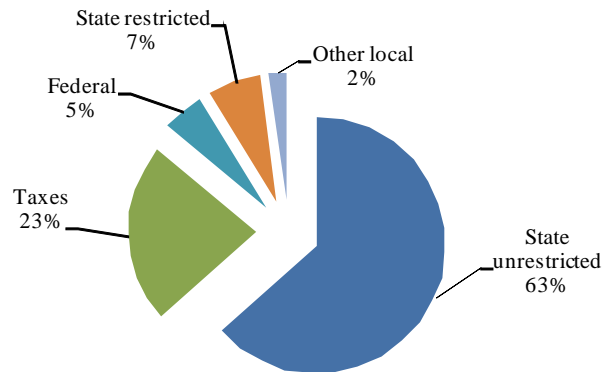
Results of Operations in Governmental Activities

	2008	2007
Program Revenue:		
Charges for services	\$ 18,127	\$ 15,825
Grants and contributions	179,961	193,029
General Revenue:		
Property taxes	263,027	250,246
State foundation allowance	734,470	752,167
Other	23,509	28,758
Total Revenue	<u>1,219,094</u>	<u>1,240,025</u>
Functions/Program Expenses		
Instruction	819,791	819,687
Support services	428,655	416,144
School food services	56,743	57,837
Athletics	6,472	6,301
Interest on long-term debt	0	0
Total Expenses	<u>1,311,661</u>	<u>1,299,969</u>
Change in Net Assets	(92,567)	(59,944)
Net Assets - Beginning	<u>995,570</u>	<u>1,055,514</u>
Net Assets - Ending	<u>\$ 903,003</u>	<u>\$ 995,570</u>

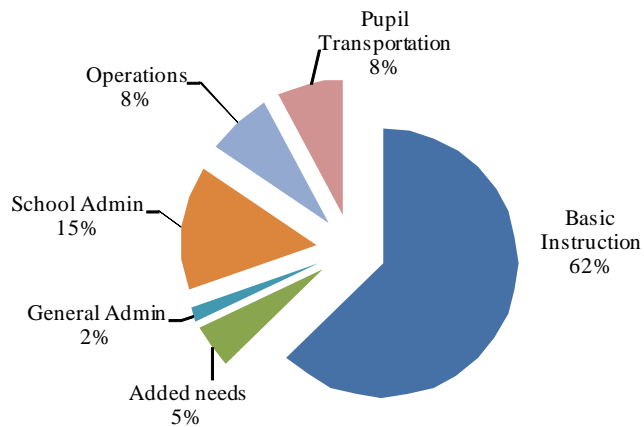
Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2008

The following charts highlight the District's General Fund activities:

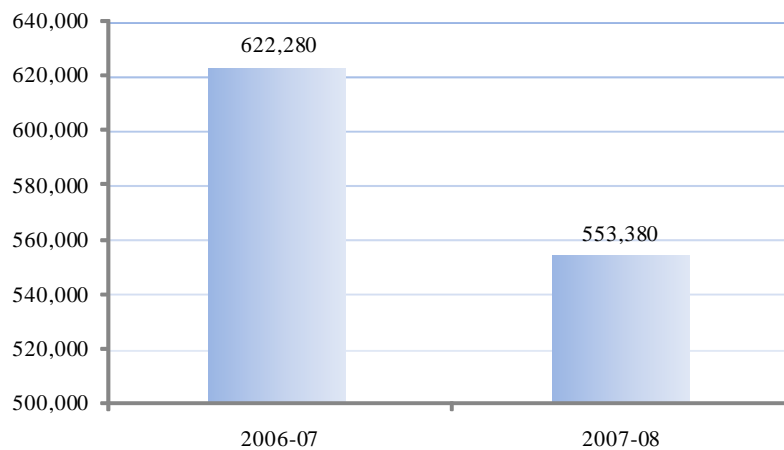
Revenues



Expenditures



Fund Balance



Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2008

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 1,158,447	\$ 1,176,638	\$ (18,191)
Expenditures/Transfers	\$ 1,227,347	\$ 1,213,230	\$ 14,117
Fund Balance	\$ 553,380	\$ 622,280	\$ (68,900)
School Food Service Fund:			
Revenues/Transfers	\$ 58,507	\$ 61,952	\$ (3,445)
Expenditures/Transfers	\$ 56,743	\$ 57,837	\$ (1,094)
Fund Balance	\$ 15,124	\$ 13,360	\$ 1,764
Athletic Fund:			
Revenues/Transfers	\$ 6,890	\$ 6,189	\$ 701
Expenditures/Transfers	\$ 6,472	\$ 6,301	\$ 171
Fund Balance	\$ 1,984	\$ 1,566	\$ 418

General Fund - Tax Revenue increased by approximately \$12,560 from prior year. However, earnings on investments decreased by \$7,120, state revenue decreased by \$19,347, and federal revenue decreased by \$6,313.

There was no significant fluctuation from prior year for expenses with the exception of the increase in fuel and other minor expenses.

School Food Service Fund - Federal revenue decreased by approximately \$4,500 from prior year. The overall decrease in revenue results in the slight decrease in overall expenditures.

Athletic Fund - There were no significant variations from prior year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year in July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2008, the original budget was adopted on June 19, 2007. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The District amended its budget twice during the fiscal year due to these unforeseen events.

Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2008

General Fund Budgetary Highlights (Continued)

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 1,145,960	\$ 1,143,235	\$ 1,158,447	\$ 15,212	1.3%
Expenditures					
Instruction	\$ 845,915	\$ 838,408	\$ 824,482	\$ 13,926	1.7%
Supporting services	413,422	417,236	398,115	19,121	4.8%
Total expenditures	\$ 1,259,337	\$ 1,255,644	\$ 1,222,597	\$ 33,047	2.7%
Other financing sources (uses)	\$ 0	\$ 0	\$ (4,750)	\$ (4,750)	100.0%

For instruction expenses, the District, each year, allows for a retirement incentive of \$6,000 and \$7,000 for retirement to be included in their final budget because of contract agreements.

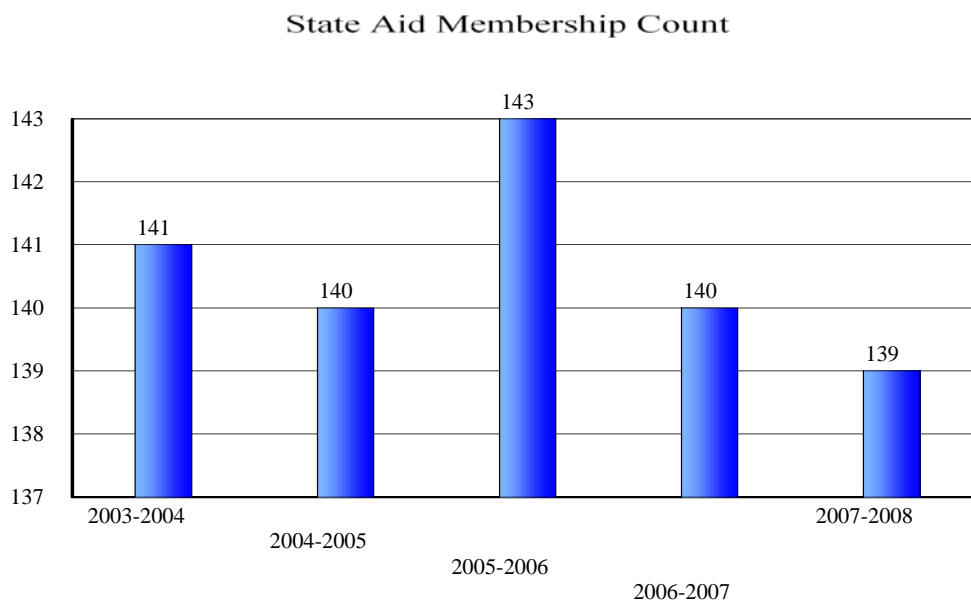
Supporting service expenses were lower than budget because there was no excessive workshops attended, some vehicle repairs were put on hold until the summer, there were rebates on insurance which they typically receive in August, and there was no powerschool training needed because their new hire was familiar with powerschool already.

Capital Assets

Capital Assets: Information on the District's capital assets can be found on page 23 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts a decrease of 1 student from the previous year, using the State Aid Membership Count.



Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations (Continued)

Our elected officials and administration consider many factors when setting the District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Stanton Township Public Schools.

STANTON TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 99,323
Investments	424,208
Taxes receivable	36,929
Accounts receivable	5,275
Inventory	731
Due from other governmental units	<u>147,814</u>
TOTAL CURRENT ASSETS	<u>714,280</u>
 NON-CURRENT ASSETS:	
Capital assets	920,610
Less: Accumulated depreciation	<u>(571,127)</u>
TOTAL NON-CURRENT ASSETS	<u>349,483</u>
TOTAL ASSETS	<u>\$ 1,063,763</u>
 LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 6,203
Accrued expenses	96,622
Due to governmental units	<u>40,967</u>
TOTAL CURRENT LIABILITIES	<u>143,792</u>
 NON-CURRENT LIABILITIES	
Compensated absences	<u>16,968</u>
TOTAL NON-CURRENT LIABILITIES	<u>16,968</u>
TOTAL LIABILITIES	<u>160,760</u>
 NET ASSETS	
Invested in capital assets, net of related debt	349,483
Unreserved	<u>553,520</u>
TOTAL NET ASSETS	<u>903,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,063,763</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

				<u>Governmental Activities</u>
			<u>Program Revenues</u>	<u>Net (Expense)</u>
			Operating	Revenue and
			Charges for	Changes in Net
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Assets</u>
			<u>Contributions</u>	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 819,791	\$ -	\$ 137,700	\$ (682,091)
Support services	428,655	-	-	(428,655)
Food service	56,743	17,520	40,797	1,574
Athletics	6,472	607	1,464	(4,401)
Total Governmental Activities	<u>\$ 1,311,661</u>	<u>\$ 18,127</u>	<u>\$ 179,961</u>	<u>(1,113,573)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				262,715
Other taxes				312
State school aid - unrestricted				734,470
Interest and investment earnings				21,451
Other				<u>2,058</u>
Total general revenues and transfers				<u>1,021,006</u>
Change in Net Assets				(92,567)
Net Assets - Beginning				<u>995,570</u>
Net Assets - Ending				<u>\$ 903,003</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 95,890	\$ 3,433	\$ 99,323
Investments	424,208	-	424,208
Taxes receivable	36,929	-	36,929
Accounts receivable	4,170	1,105	5,275
Due from other governmental units	147,814	-	147,814
Due from other funds	-	11,930	11,930
Inventory	-	731	731
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 709,011	\$ 17,199	\$ 726,210
	<hr/>	<hr/>	<hr/>
LIABILITIES:			
Accounts payable	\$ 6,112	\$ 91	\$ 6,203
Accrued expenses	96,622	-	96,622
Due to other funds	11,930	-	11,930
Due to other governmental units	40,967	-	40,967
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	155,631	91	155,722
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Unreserved	553,380	17,108	570,488
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	553,380	17,108	570,488
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 709,011	\$ 17,199	
	<hr/>	<hr/>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	349,483
Long-term liabilities, including deferred compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,968)</u>
Net assets of governmental activities	<u>\$ 903,003</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	General Fund	Other Non-major Governmental Funds	Totals
Revenues			
Local sources	\$ 286,277	\$ 19,850	\$ 306,127
State sources	811,881	450	812,331
Federal sources	60,289	40,347	100,636
Total revenues	1,158,447	60,647	1,219,094
Expenditures			
Instruction	824,482	-	824,482
Supporting services	398,115	-	398,115
School food service	-	56,743	56,743
Athletics	-	6,472	6,472
Total expenditures	1,222,597	63,215	1,285,812
Excess (deficiency) of revenue over expenditures	(64,150)	(2,568)	(66,718)
Other Financing Sources (Uses)			
Operating transfers in	-	4,750	4,750
Operating transfers out	(4,750)	-	(4,750)
Total other financing sources (uses)	(4,750)	(4,750)	-
Net Change in Fund Balance	(68,900)	2,182	(66,718)
Fund Balances - Beginning of year	622,280	14,926	
Fund Balances - End of Year	\$ 553,380	\$ 17,108	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(31,860)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	469
Repayment of bond/lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	6,480
Change in net assets of governmental activities	\$ (92,567)

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Stanton Township Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

Stanton Township Public School District (the "District") is governed by the Stanton Township Public School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does not allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as School Food Service and Athletic Activities.

Accrual Method - The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

2007-08 Foundation		\$	7,204.00
Less Local Support:			
Non-Homestead Tax Value	14,602,158		
Multiplied by mills	0.018		
Total Local Support	262,839		
Divided by General Education K-12 membership	138.54		
Calculated Local Support			(1,897.21)
2007-08 Foundation Grant Allowance Per Pupil		\$	<u>5,306.79</u>

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Deposits - Cash and equivalents include amounts in demand deposits and certificates of deposit.

Property Taxes - Property taxes levied by the District are collected by Stanton Township and are periodically remitted to the District. The taxes are levied on December 31 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied 18 mills on non-homestead per \$1,000 of assessed valuation.

Receivables and Payables - Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory – General Fund utilizes the purchase method of recording inventories and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased. Inventory in the District's School Food Service Fund consists of food, a la carte items, supplies, and USDA commodities totaling \$731. The District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits - The liabilities for accrued benefits reported in the district-wide statements in the amount of \$16,968 consisted of sick leave balances which increased by \$469 from prior year.

Sick Leave - Teachers and support staff may accumulate unused sick days to a maximum of 150 and 120 days, respectively. Upon termination of employment, teachers and employees with at least ten (10) and eleven (11) years of service, respectively, to the District are paid \$30 and \$15 per day, respectively, of unused accumulated sick days.

Long-term Obligations - In the district-wide financial statements, other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities
Unrestricted cash	\$ 99,323
Investments	424,208
Total deposits and investments	<u>\$ 523,531</u>

As of June 30, 2008 the District had the following investments:

Investment Type	Fair Value	Rating
MILAF - MIMAX	\$ 424,208	AAA

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments held at year end do not have maturity dates.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2008, \$12,577 of the District's bank balance of \$135,630 was exposed to custodial credit risk because it was uninsured and collateralized.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investment are uncategorized as to credit risk.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - RECEIVABLES

Receivables from governmental units at June 30, 2008 consist of the following:

	General Fund
State aid	<u>\$ 147,814</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE E - CAPITAL ASSETS

Capital Asset activity of the District's governmental activities was as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Building and additions	\$ 660,274	\$ 0	\$ 0	\$ 660,274
Equipment and furniture	59,083	0	5,492	53,591
School buses	206,745	0	0	206,745
Subtotal	<u>926,102</u>	<u>\$ 0</u>	<u>\$ 5,492</u>	<u>920,610</u>
Accumulated depreciation:				
Building and additions	301,729	20,811	0	322,540
Equipment and furniture	53,083	3,850	5,492	51,441
School buses	189,947	7,199	0	197,146
	<u>544,759</u>	<u>\$ 31,860</u>	<u>\$ 5,492</u>	<u>571,127</u>
Net capital assets	<u>\$ 381,343</u>			<u>\$ 349,483</u>

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Instruction	\$ 1,320
Support Service	30,207
Food Service	333
Total governmental activities	<u>\$ 31,860</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2008 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	<u>\$ 11,930</u>	School Food Service	<u>\$ 11,930</u>
Fund	Transfer In	Fund	Transfer Out
School Food Service	\$ 141	General Fund	\$ 4,750
Athletic Fund	4,609		
	<u>\$ 4,750</u>		<u>\$ 4,750</u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2008, for the District's individual major funds and non-major funds in the aggregate, are as follows:

	General	Non-Major Funds	Total
Fund Financial Statements:			
Accounts payable	\$ 6,112	\$ 91	\$ 6,203
Salaries payable	47,726	0	47,726
Accrued expenses	48,896	0	48,896
Total accounts payable and accrued liabilities	<u>\$ 102,734</u>	<u>\$ 91</u>	<u>\$ 102,825</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

Funding Policy

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The District was required by the state statute to contribute 17.74% of covered compensation through September 30, 2007 and 16.72% of covered compensation to the Plan for the remainder of the year. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amount contributed to MPERS for the years ended June 30, 2008, 2007, and 2006, were \$111,483, \$112,571, and \$101,126 respectively, equal to the required contributions for each year.

Other Post Employee Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008

NOTE I - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 16 as follows:

Total current payments per MDE Reports	\$ 78,803
USDA Commodities	4,953
Direct Federal grants	16,880
Total Federal Financial Assistance	<u>\$ 100,636</u>

The District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2008 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE J - ECONOMIC DEPENDENCY

The District received approximately 63% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

NOTE K - CONTINGENT LIABILITIES

Risk Pool

Stanton Township Public School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Stanton Township Public School District joined together with other school districts currently operating a common risk management and insurance program. Stanton Township Public School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 273,265	\$ 275,265	\$ 286,277	\$ 11,012
State sources	818,806	811,881	811,881	-
Federal sources	53,889	56,089	60,289	4,200
TOTAL REVENUE	1,145,960	1,143,235	1,158,447	15,212
EXPENDITURES:				
Instruction	845,915	838,408	824,482	13,926
Supporting services	413,422	417,236	398,115	19,121
TOTAL EXPENDITURES	1,259,337	1,255,644	1,222,597	33,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,377)	(112,409)	(64,150)	48,259
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(4,750)	(4,750)
Total other financing sources (uses)	-	-	(4,750)	(4,750)
NET CHANGE IN FUND BALANCE	\$ (113,377)	\$ (112,409)	(68,900)	\$ (4,750)
FUND BALANCE - BEGINNING OF YEAR			622,280	
FUND BALANCE - END OF YEAR			\$ 553,380	

SUPPLEMENTAL FINANCIAL INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	BUDGET	ACTUAL	VARIANCE	2007
REVENUES:				
Local sources:				
Taxes	\$ 250,765	\$ 262,715	\$ 11,950	\$ 250,151
Other taxes	-	312	312	115
Investment revenue	21,500	21,415	(85)	28,535
Contributions	500	-	(500)	-
Miscellaneous	2,500	1,835	(665)	7
Total local sources	275,265	286,277	11,012	278,808
State sources:				
Unrestricted State aid	734,470	734,470	-	752,167
Restricted at-risk grant	26,411	26,411	-	32,861
Michigan school readiness	51,000	51,000	-	46,200
Total state sources	811,881	811,881	-	831,228
Federal sources:				
Title I	28,030	28,030	-	36,806
Title V - Part A	392	392	-	421
Title II - Part A	14,724	14,724	-	14,822
Title II - Part D	263	263	-	383
REAP	10,680	10,680	-	10,670
Service Learning grant	-	-	-	500
MiBLSi grant	2,000	2,000	-	3,000
Healthy Heart grant	-	4,200	4,200	-
Total federal sources	56,089	60,289	4,200	66,602
TOTAL REVENUES	1,143,235	1,158,447	15,212	1,176,638
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	769,472	760,976	8,496	752,509
Added needs:				
Compensatory education	40,243	36,362	3,881	37,362
At-risk	28,693	27,144	1,549	33,001
Total added needs	68,936	63,506	5,430	70,363
Total instruction	838,408	824,482	13,926	822,872

STANTON TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
Supporting services:				
Instructional staff:				
Library	<u>5,722</u>	<u>5,745</u>	<u>(23)</u>	<u>421</u>
General administration:				
Board of education	<u>26,380</u>	<u>20,703</u>	<u>5,677</u>	<u>26,556</u>
Executive administration	<u>188,140</u>	<u>183,528</u>	<u>4,612</u>	<u>177,502</u>
Total general administration	<u>214,520</u>	<u>204,231</u>	<u>10,289</u>	<u>204,058</u>
Operation & maintenance	<u>95,678</u>	<u>93,247</u>	<u>2,431</u>	<u>84,840</u>
Pupil transportation	<u>101,316</u>	<u>94,892</u>	<u>6,424</u>	<u>96,285</u>
Total supporting services	<u>417,236</u>	<u>398,115</u>	<u>19,121</u>	<u>385,604</u>
TOTAL EXPENDITURES	<u>1,255,644</u>	<u>1,222,597</u>	<u>33,047</u>	<u>1,208,476</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(112,409)</u>	<u>(64,150)</u>	<u>(48,259)</u>	<u>(31,838)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer out	<u>-</u>	<u>(4,750)</u>	<u>(4,750)</u>	<u>(4,754)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>(4,750)</u>	<u>(4,750)</u>	<u>(4,754)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (112,409)</u>	<u>(68,900)</u>	<u>\$ (43,509)</u>	<u>(36,592)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>622,280</u>		<u>658,872</u>
FUND BALANCE, END OF YEAR		<u>\$ 553,380</u>		<u>\$ 622,280</u>

STANTON TOWNSHIP PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2008

	School Food			
	Service	Athletic	2008	2007
ASSETS AND OTHER DEBITS				
Cash	\$ 1,659	\$ 1,774	\$ 3,433	\$ 14,042
Receivables	895	210	1,105	1,361
Due from Other Funds	11,930	-	11,930	4,476
Inventory	731	-	731	-
TOTAL ASSETS	\$ 15,215	\$ 1,984	\$ 17,199	\$ 19,879
LIABILITIES				
Accounts payable	\$ 91	\$ -	\$ 91	\$ 4,508
Accrued expenses	-	-	-	445
TOTAL LIABILITIES	91	-	91	4,953
FUND EQUITY:				
Fund balance - unreserved	15,124	1,984	17,108	14,926
TOTAL LIABILITIES AND FUND EQUITY	\$ 15,215	\$ 1,984	\$ 17,199	\$ 19,879

STANTON TOWNSHIP PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	School Food Service	Athletic	2008	2007
REVENUES:				
Local sources	\$ 17,569	\$ 2,281	\$ 19,850	\$ 17,390
State sources	450	-	450	1,038
Federal sources	40,347	-	40,347	44,959
TOTAL REVENUE	58,366	2,281	60,647	63,387
EXPENDITURES:				
Labor	18,581	3,939	22,520	19,922
Employee benefits	5,866	670	6,536	7,199
Purchases	32,183	1,863	34,046	37,017
Other	113	-	113	-
TOTAL EXPENDITURES	56,743	6,472	63,215	64,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,623	(4,191)	(2,568)	(751)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	141	4,609	4,750	4,754
EXCESS (DEFICIENCY) OF REVENUES AND FINANCING SOURCES OVER EXPENDITURES	1,764	418	2,182	4,003
FUND BALANCE, BEGINNING OF YEAR	13,360	1,566	14,926	10,923
FUND BALANCE, END OF YEAR	\$ 15,124	\$ 1,984	\$ 17,108	\$ 14,926

STANTON TOWNSHIP PUBLIC SCHOOLS
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	BUDGET	ACTUAL	VARIANCE	2007
REVENUES:				
Local sources:				
Adult lunches	\$ 2,000	\$ 1,659	\$ (341)	\$ 2,093
Special milk	250	278	28	278
Breakfast	500	1,222	722	601
Student lunches	13,500	14,361	861	12,409
Earnings on investments	75	36	(39)	70
Miscellaneous	1,000	13	(987)	126
Total local sources	17,325	17,569	244	15,577
State sources	-	450	450	1,038
Federal sources:				
School lunch program	39,000	35,395	(3,605)	37,972
USDA entitlements	-	4,222	4,222	6,968
USDA bonus entitlements	-	730	730	19
Total federal sources	39,000	40,347	1,347	44,959
TOTAL REVENUES	56,325	58,366	2,041	61,574
EXPENDITURES:				
Labor	19,000	18,581	419	16,565
Total employee benefits	8,290	5,866	2,424	6,260
Purchases	28,996	32,296	(3,300)	35,012
TOTAL EXPENDITURES	56,286	56,743	(457)	57,837
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	39	1,623	1,584	3,737
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	141	141	378
Net Change in Fund Balance	\$ 39	1,764	\$ 1,725	4,115
FUND BALANCE, BEGINNING OF YEAR		13,360		9,245
FUND BALANCE, END OF YEAR		\$ 15,124		\$ 13,360

STANTON TOWNSHIP PUBLIC SCHOOLS
ATHLETIC FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Charges for services	\$ 475	\$ 607	\$ 132	\$ 444
Contributions	1,100	1,464	364	1,369
Miscellaneous	-	210	210	-
	<u>1,575</u>	<u>2,281</u>	<u>706</u>	<u>1,813</u>
TOTAL REVENUES				
EXPENDITURES:				
Labor	4,000	3,939	61	3,357
Total employee benefits	975	670	305	939
Purchases	1,780	1,863	(83)	2,005
TOTAL EXPENDITURES	<u>6,755</u>	<u>6,472</u>	<u>283</u>	<u>6,301</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(5,180)</u>	<u>(4,191)</u>	<u>989</u>	<u>(4,488)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>4,975</u>	<u>4,609</u>	<u>(366)</u>	<u>4,376</u>
Net Change in Fund Balance	<u>\$ (205)</u>	<u>418</u>	<u>\$ 623</u>	<u>(112)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,566</u>		<u>1,678</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,984</u>		<u>\$ 1,566</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stanton Township Public School District as of and for the year then ended June 30, 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements is more than inconsequential and will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 through 2008-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented or detected by the Stanton Township Public School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1 through 2008-4.

We noted certain matters that we reported to management of the Stanton Township Public School District in a separate letter dated November 12, 2008.

The Stanton Township Public School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Stanton Township Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 12, 2008

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2008

2008-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition: As is the case with many small entities, the Stanton Township Public School District has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the personnel department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

Effect: As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Stanton Township Public School District has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation. We concur with this decision.

2008-2 - Segregation of Duties

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting and safeguarding of the District's assets.

Condition: During the course of the audit, we noted instances where multiple key accounting and financial reporting duties are performed by the same individual that also has access to the general ledger. Examples include (1) the ability to setup new employees and enter payroll information (pay rates, hours, deductions, etc.) (2) the ability to create vendors, enter invoices and print disbursement checks (3) the duty to perform bank reconciliations.

Cause : Limited staff size creates instances in which conflicting duties are performed by one individual.

Effect: Due to the lack of segregation of duties, the District has an increased risk that fraud or abuse could not be prevented or be detected in a timely manner. Ideally, no single individual should ever be able to initiate and record a transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2008

2008-2 - Segregation of Duties (Continued)

View of Responsible Officials: The District understands and is aware that limited staff size creates instances in which conflicting duties are performed by one individual. The District has taken the initiative to implement procedures and processes to monitor this situation. These include:

- Superintendent signature and approval for fund transfers
- Superintendent signature and approval on time sheets
- Review of payroll summary report by Principal Secretary
- Monthly Board approval of disbursements
- Board approval of salary schedules
- Review of bank reconciliations by Board Treasurer

Going forward, the District plans to implement the following steps:

- The Principal Secretary will input salary information while the Business Manager prepares payroll.
- The Business Manager and Principal Secretary will oversee each other's disbursements which are also approved monthly by the Board.

2008-3 – Adjustments Proposed by the Auditor

Criteria: The District is responsible for the reconciliation of all general ledger accounts for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: The auditor identified journal entries to be posted to the District's financial records during the audit. The entries were needed to adjust year-end balances to be in conformity with generally accepted accounting principles.

Effect: We are pleased to assist in adjusting the District's general ledger, but are also required to communicate our part in completing the District's accounting records. A number of these journal entries are related to intergovernmental activities, accounts payable, accounts receivable, and items required for the full-accrual presentation of the government-wide statements.

View of Responsible Officials: The District will ensure all general ledger accounts are reconciled on a timely basis with review and approval by the Board Treasurer.

2008-4 – Capital Assets Records Maintained by the Auditor

Criteria: Purchases, additions, disposals, and sale of assets must have prior approval from the appropriate officials. In addition, the financial statements must accurately report all capital assets and accumulated depreciation along with capital expenditures and depreciation expense.

Condition, Cause and Effect: The District has relied on its external auditor to maintain and update capital assets. Management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

View of Responsible Officials: The District finds it advantageous to apply the auditor's capital asset reports for GASB 34 reporting. Based on the technical depreciation software that is utilized by the auditor, the District has decided to review the capital asset reports on an annual basis and retain them.



Bruce A. Rukkila, CPA, PC

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Full Service Accounting Firm
for the Western Upper Peninsula

November 12, 2008

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stanton Township Public School District for the year ended June 30, 2008, and have issued our report thereon dated November 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we consider the internal controls of the Stanton Township Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Stanton Township Public School District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Stanton Township Public School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Stanton Township Public School District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is current judgments. Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Stanton Township Public School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Stanton Township Public School District Board and is not intended to be and should not be used for any other purpose.

It has been a pleasure to provide audit services to the Stanton Township Public School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Very truly yours,

Bruce A. Rukkila, CPA, PC

In planning and performing our audit of the financial statements of the Stanton Township Public School District, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Stanton Township Public School District's internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

2008-1 – Preparation of Financial Statements in Accordance with GAAP

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Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the personnel department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

Effect: As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Stanton Township Public School District has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation. We concur with this decision.

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2008-4 – Capital Assets Records Maintained by the Auditor

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